



Environmental, Social & Governance and Responsible Investment Policy

October 2024



Signatory of:



Philosophy

Environmental Social & Governance (“ESG”) and Responsible Investment (“RI”) issues are important for both CapeView Capital LLP (“CapeView” or the “Firm”) and the funds that we manage, and are incorporated into our policies and procedures accordingly. We have an ESG Committee, comprising of individuals from different areas of the business, who meet at least quarterly to ensure that all ESG issues are being considered and that we are strictly adhering to our policy.

Diversity, equality and employee wellbeing have always been at the heart of CapeView’s recruitment process and ongoing HR policy. We are committed to maintaining an ethical working environment and conducting all of our business in an honest and ethical manner.

At the fund level, we integrate ESG in 3 ways:

1. including ESG as part of the fundamental analysis
2. monitoring ESG ratings for the long investments
3. implementing a CapeView ESG Exclusion List for long investments

CapeView Capital LLP is a signatory to the internationally recognised Principles for Responsible Investment (PRI) which publicly demonstrates our commitment to responsible investment and the evolving role of ESG in the firm’s approach.

CapeView’s Approach

Governance

CapeView is authorised and regulated by the FCA as a Full Scope Alternative Investment Fund Manager. CapeView is also registered with the SEC as a Registered Investment Advisor. The Management Committee is responsible for the conduct of the Firm’s business, apportioning responsibilities to staff and ensuring compliance in the day-to-day business activities.

A Compliance Manual and Code of Ethics assists staff in meeting the obligations as a fiduciary. It includes policies on Personal Trading, Gifts and Entertainment, Outside Affiliations and Conflicts of Interest. All new staff are required to read the Compliance Manual and sign a declaration to uphold its contents, and thereafter there are Quarterly and Annual attestations.

In 2020, we established an ESG committee to oversee the firm’s overall ESG approach and compliance with the policy. The permanent members of the ESG Committee are CapeView’s CCO (Chair), CRO, Investor Relations and a senior member of the Azri investment team.

Anti-Bribery

CapeView takes a zero-tolerance approach to bribery and corruption and strictly prohibits any form of unethical inducement or payment or any conduct which might conflict with the Firm’s interests or compromise its integrity. Accordingly, CapeView’s Management Committee has put in place a stand-alone Anti-Bribery Policy. The Policy adheres to HM Government guidelines and considers the following risks: country, sectoral, transaction, business opportunity, and business partnership. It is the responsibility of the Compliance Officer to monitor and review (annually) adherence to the Policy and report directly to the Management Committee.

Normative Codes and Initiatives

CapeView has considered the Stewardship Code as set out by the UK's Financial Reporting Council, as well as the Shareholder Rights Directive II (SRD II) as set out by the European Union. CapeView supports the objectives underlying both the Code and Directive, and adheres to the highest standards of corporate governance and due diligence in respect of its investments. CapeView will vote a proxy in certain circumstances where the Portfolio Managers consider this course of action to be in the best interests of Clients. Such proxies shall be voted on a case-by-case basis, taking into account all relevant facts and circumstances at the time of the vote, and in accordance with our Proxy Voting Policy. However, CapeView generally holds positions in portfolio companies in derivative form and therefore CapeView is not typically eligible to actively and systematically exercise underlying shareholder rights and responsibilities. Consequently, CapeView is not a Signatory to the Code.

Engagement

Companies

Notwithstanding the above, CapeView regularly engages with companies as a matter of course. Meeting companies forces us to constantly revisit the investment universe and helps us develop and maintain a real time understanding of the economic and industrial backdrop from the bottom up. By meeting companies across industry and supply chains we are also able to verify trends and identify potential anomalies.

As a driver for investment decision-making, it is today impossible to disregard sound environmental/sustainability practices from an investee company's governance culture. Indeed, we are bearish on any company which is "asleep at the ESG wheel".

Where we have any governance concerns, including sustainability, ESG, responsible investing or other, we may escalate by discussing directly with the company and/or their professional advisors. In the event that this elevated engagement does not yield the desired outcome, if necessary, we would not hesitate to vote with our feet and reduce or exit the position accordingly (while not breaching our fiduciary duty to our investors).

Policy Makers

CapeView regularly participates in FCA surveys and provides feedback on policy initiatives, including occasionally on a one-to-one basis with our regulator.

Industry Groups

CapeView is an active member of the Alternative Investment Management Association ("AIMA") and participates regularly in industry conferences and roundtables.

As noted above, CapeView became a signatory of the PRI in September 2022.

Social Issues

We believe in hiring the best talent, from any background or culture and without prejudice. Our hiring process looks to find high-calibre suitably qualified and competent individuals who will complement the culture and the approach of the CapeView team. Recruitment procedures are

reviewed regularly to ensure individuals are treated on the basis of their relevant merits and abilities and that sufficiently diverse sectors of the community are reached.

We provide a transparent working environment for our staff with clear lines of responsibility and accountability. We value every employee and encourage personal as well as professional development. We have an Employee Handbook which is given to all new staff. It includes policies on Equality and Inappropriate Harassment. All staff have a duty to act in accordance with these policies, and therefore to treat colleagues and clients with dignity at all times, and not to discriminate against or harass others, whether junior or senior to them. In 2019, we all attended a Diversity and Anti-Harassment training session provided by our outsourced HR team.

All employees will be given an equal opportunity and access to training relevant to their job within the organisation. All promotion decisions are made on the basis of merit and the composition and movement of employees at different levels is regularly monitored to ensure equality of opportunity at all levels of the organisation. Where appropriate, steps will be taken to identify and remove unnecessary and/or unjustifiable barriers.

The Employee Handbook sets out the process to apply for flexible working, recognising that there is a benefit to both parties in agreeing a work pattern that suits both parties' interest and improves work life balance.

CapeView offers private medical, dental insurance and season ticket loans to eligible employees.

Internships

CapeView has a proud record of offering internships to talented and deserving young graduates looking to gain work experience.

In 2022 CapeView participated in the #10000BlackInterns program, which seeks to help transform the horizons and prospects of young black people in the United Kingdom. To learn more about this exciting scheme, we encourage you to visit: www.10000blackinterns.com.

Environmental Issues

We are continually re-evaluating our impact on the environment and have broken down our current 'footprint' using the following Greenhouse Gases (GHG) Protocol classifications:

Scope 1

- N/a

Scope 2

- Electricity

CapeView's office at Borough Yard, is independently certified by the Carbon Trust as having 100% of the electricity consumed by the building as sourced from renewable energy suppliers (smartestenergy.com).

Scope 3 - Upstream

- Business Travel

CapeView has been offsetting its carbon footprint from business travel since 1st January 2020.

- Employee Commuting

CapeView has initiated a scheme for employees to participate in the UK's Government Green Transport Plan which aims to reduce environmental pollution and promote healthier lifestyles. All employees are eligible to claim CapeView sponsored vouchers from the Green Commute Initiative (GCI) to purchase bikes and equipment for their commute to work. To learn more please visit: www.greencommuteinitiative.uk

- Operational Waste

CapeView recycles plastic and paper. In addition, CapeView uses recycled paper for all internal printing.

Our landlord (Borough Yard) has confirmed that it sends no waste to landfill.

Scope 3 – Downstream

- Investment Management

CapeView's integration of ESG into our investment process is discussed in the following section.

Carbon Score

CapeView's 2022 carbon footprint emissions total was independently assessed at 46.6 tonnes of CO₂e, using Department for Environment, Food and Rural Affairs (DEFRA) methodology.

Carbon Neutral Organisation

During 2021, CapeView became certified as a Carbon Neutral Organisation. We engaged, Carbon Footprint Limited, an ISO 14001:2015 (Environmental Management) certified organisation, to assess our total carbon footprint for 2020 using DEFRA guidelines.

Once our carbon consumption had been independently verified, and in consultation with Carbon Footprint Limited, we sought to offset our footprint by contributing towards forest preservation and reforestation projects in the *Great Rift Valley* in Kenya, East Africa, a project endorsed by the United Nations Environment Programme (UNEP), and the *Pacajai REDD* project in Brazil (Project Reference VCS¹ 981). To learn more about these worthwhile projects please visit: <https://www.carbonfootprint.com/plantingtreesinkenya.html>

As well as the obvious environmental advantages of offsetting carbon, by planting and protecting forests and biodiversity in two continents, the projects also provide additional social and sustainability benefits listed below:

- Poverty reduction through employment creation

¹ Verified Carbon Standard: <https://registry.terra.org/app/projectDetail/VCS/981>

- Water catchment areas will be conserved providing water/food security
- Birds, butterflies and other wildlife habitats will be conserved and others created
- Bees attracted by the trees in flowering seasons will benefit the community through sale of honey hence reduce poverty
- Sale of fruit will help the community earn extra income
- Nutritional benefit from some of the fruit trees planted such as Avocado trees
- Ecotourism will be promoted with better forests giving alternative occupation to those previously engaging in destructive forest activities
- The pastoral communities will have pastures for their animals during drought times
- Some of the teams include orphans and Persons Living With HIV/Aids (PLWHA)
- The trees assist in the prevention and control of soil erosion
- Beautification of our locality and the roads

These factors contribute positively towards several of the United Nation's 17 SDG², including:

- 1 No Poverty
- 8 Decent Work and Economic Growth
- 15 Life on Land

CapeView will continue to partner with Carbon Footprint Limited to maintain our status as a Carbon Neutral Organisation.

Integration of ESG and RI in the Investment Process

As mentioned above, there are 3 ways that we incorporate ESG into the investment process for the funds:

1. Including ESG issues as part of the fundamental analysis

The Azri investment process has always considered a number of ESG issues as part of the fundamental analysis on a company, for both long and short investments.

Examples include:

- Corporate governance (e.g. tenure of the Board, management incentives, related party transactions, independence, accounting transparency, auditor tenure). This has always been a very important part of the investment process, and we regularly meet management teams and engage with them.
- Changes to regulation (e.g. carbon pricing)
- Cost implications (e.g. emission reduction, packaging)
- Violations of UN Global Compact Principles³ (e.g. Human Rights violations)
- Reputational issues (e.g. loss rate incidents, employee satisfaction)
- Supply chain management (e.g. pressure on suppliers)
- Brand management and Product evolution (e.g. environmentally compliant products, competitor brand management)

Increasingly, a company's ESG credentials and/or their ESG trajectory may be one of the key rationales for the trade, and we may actively engage with them on this accordingly.

² United Nations Sustainable Development Goals: <https://sdgs.un.org/goals>

³ UN Global Compact Principles: <https://unglobalcompact.org/what-is-gc/mission/principles>

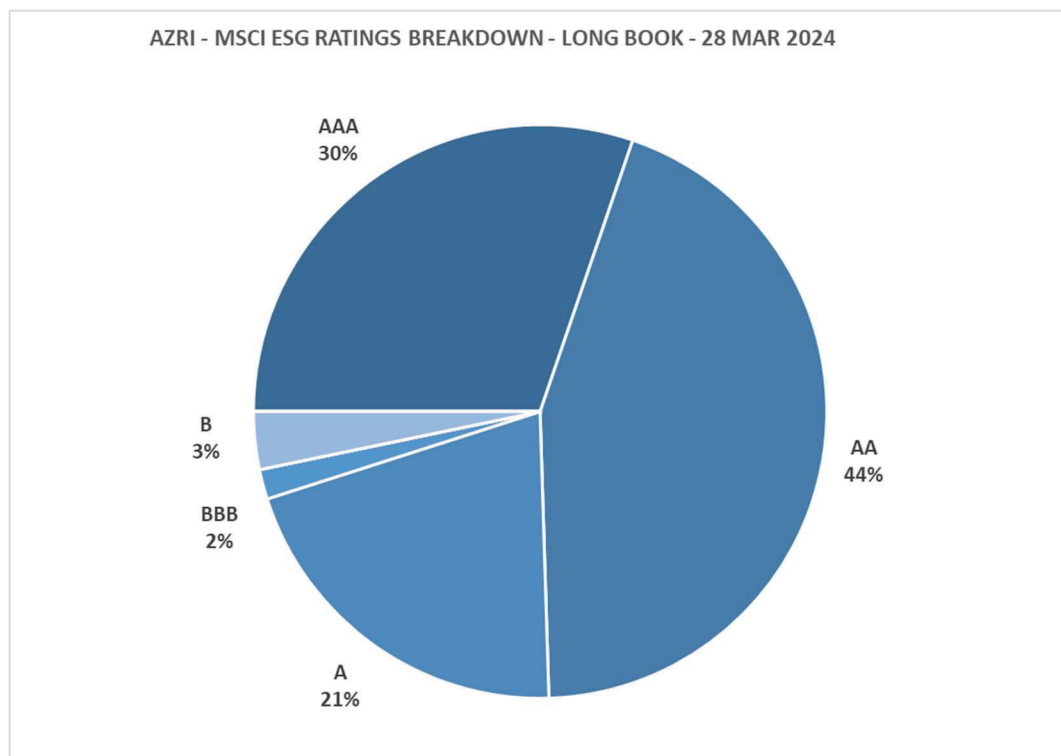
2. Monitoring ESG ratings

We monitor the ESG ratings for long positions in the funds using the MSCI ESG Ratings system which rates companies on a AAA-CCC scale relative to the standards and performance of their industry peers. While our preference is to invest in companies rated A and above, we also want to benefit from companies going through a process of change that may improve their ESG credentials. As such, we are not prohibited in investing in companies with a low rating of BB or below, but they are exceptions to the rule and require justification by the analyst.

In the unlikely event that there is no MSCI rating available for the company, the analyst will derive a synthetic rating using a combination of appropriate industry peers with a rating and/or other ESG rating sources e.g. Sustainalytics. If this is not suitable, the analyst will use their discretion to create a rating with the justification suitably documented.

To confirm, this is for long positions only. We believe that shorting stocks is an effective yet indirect means of encouraging a company to improve its performance on ESG issues, and therefore the ratings for short positions are not explicitly monitored.

On a quarterly basis, the ESG Committee will review the ratings, with particular focus on companies rated BBB or lower, and those that have been assessed and rated by the analyst. The Risk Officer will also aggregate the ratings as a % of Long Book to analyse the long portfolio as a whole as per below example as of March 2024:



Source: CapeView Capital and MSCI

3. ESG Exclusion List

There are 4 types of companies that are currently excluded from investment on the long side:

- companies that manufacture biological and chemical weapons, anti-personnel mines, and/or cluster bombs
- companies with more than 25% of revenues from coal mining and that do not have a meaningful plan to diversify from coal.
- companies which derive more than 10% of their revenues from oil sand extraction.
- companies that have ties to nuclear weapons*. Under exceptional circumstances, the ESG Committee can grant exceptions on a case-by-case basis, please see below for further details.

Our investment universe, which is predominantly Europe, already excludes most of the companies who meet these criteria. For those that fall within our universe, we have added them to a CapeView Exclusion List of stocks which are input directly into the OMS and cannot be traded. This list will be reviewed on a periodic basis. Any technological changes that lead to a significant improvement in the ESG credentials for any of these industries/companies would also trigger a review.

To confirm, any index which has one or more of the excluded companies as a constituent is not included on the exclusion list.

We apply this policy to all CapeView funds that we directly manage. On occasion there may be additional securities recognised by clients and/or local governments which will be added to the exclusion list for those relevant jurisdictions and/or specific mandates.

Nuclear Weapons Ties

Defence companies can have complex, and sometimes opaque, organisational structures. Until now, we have indiscriminately excluded defence companies with any ties to nuclear weapons* from our investible universe.

*Ties to nuclear weapons is defined as:

- 1) Building nuclear weapons.
- 2) Building nuclear weapon delivery platforms (launchers, submarines, airplanes, etc.).
- 3) Building critical components for nuclear weapons or the nuclear capabilities of delivery platforms such as fuselage, main engine, warhead, payload. Excludes common components such as wiring, screws.

The events in Russia/Ukraine have highlighted the importance of the defence industry to democratic sovereign nations. After careful consideration the ESG Committee has concluded that this blanket ban approach is no longer suitable since it prevents CapeView from investing in almost every aerospace or defence company within our investable universe.

The ESG Committee will now work with the Investment Team, at their request and on a case-by-case basis, to properly evaluate a potential investment in a defence company that has ties to nuclear weapons. The Committee will consider several factors in its decision process for potentially removing the company from the Exclusion List, including the extent of involvement of such companies in nuclear weapons or nuclear weapons equipment development, the identity of their clients, the safeguards that are in place for such weapons not to fall in the

hands of human rights violators and any other relevant factors that apply to the company in question.

Such companies may only be removed from the Exclusion List as long as the aggregate exposure in such names does not exceed 5% of NAV for CapeView Azri Fund and 10% for CapeView Azri 2X Fund and CapeView Azri Strategic Fund.

For the avoidance of doubt, this is not a change in philosophy to support weapon proliferation, it is rather a move to avoid hindering the efforts of democratic states in improving their legitimate defence capabilities.

Carbon Scoring of the Portfolio

During 2021, the Risk Officer has been analysing emissions data from MSCI to choose the best measure to calculate the carbon footprint of the funds. At this stage, we believe that Weighted Average Carbon Intensity defined as Scope 1+2 tons of CO₂ emitted per USD million revenues to be the best measure for us as it directly links emissions to the resulting economic activity. On a weighted basis (% of NAV), and taking into account longs and shorts, the portfolio overall score is 147 tons of CO₂ per USD million sales (as of December 2021). This compares with 136 for the Stoxx600 Index.

It is important to recognise that some investments have high emissions because of the industry they are in, and importantly are taking steps to reduce these emissions which forms a key part of our investment thesis.

It is our belief that we won't get to our carbon goals by rewarding companies who don't innovate but rather by supporting and engaging with companies in industries which by their nature produce a lot of emissions. This is where we think step change improvements can happen. We will therefore continue to monitor the Carbon Score for the portfolio in this context.

Policy Governance

Review & Internal Audit

This Environmental, Social & Governance and Responsible Investment Policy is reviewed at least annually by the ESG Committee. Adherence to this policy is reviewed quarterly.

External Audit

CapeView has engaged Carbon Footprint Limited to independently verify our 'carbon footprint'.

Breaches & Reporting

In the unlikely event that there is a breach of this policy, we would notify the relevant funds' boards of Directors.

Concluding Remarks

ESG is a continually evolving topic, and we will endeavour to update ourselves on best practice and industry standards, and update/amend our policy where possible.

To discuss our approach to ESG in more detail, please contact us at:

investorservices@capeviewcapital.com